GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:3752
ANSWERED ON:19.04.2005
EXTERNAL COMMERCIAL BORROWINGS
Harsha Kumar Shri G.V.

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government is contemplating to relax external commercial borrowings norms to enable the Indian Corporates access to foreign borrowings at low cost;

(b) if so, whether the Government has prepared any norms and guidelines in this regard;

(c) if so, the details thereof; and

(d) the likely date by which the Government is likely to announce the same?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY(SHRI E.V.K.S. ELANGOVAN)

(a) As announced in the Budget 2005-06, a window has been opened to enable qualified Non-Government Organisations (NGOs) engaged in micro-finance to access the External Commercial Borrowings (ECB) window.

(b) & (c)As per extant guidelines, all corporates registered under the Companies Act, 1956 except financial intermediaries, are eligible borrowers under the automatic route for ECBs up to US $ 500 million. Proposals not covered under the automatic route are considered by a committee set up by Reserve Bank of India (RBI). Financial institutions dealing exclusively with infrastructure or export finance can raise ECB through the approval route. Banks and financial institutions which had participated in the textile or steel sector restructuring package as approved by the Government will also be permitted to the extent of their investment in the package and assessment by RBI based on prudential norms.

ECB can be raised only for investment (such as import of capital goods, new projects, modernisation / expansion of existing production units) in real sector, that is, industrial sector including small and medium enterprises (SME) and infrastructure sector − in India. Utilisation of ECB proceeds is not permitted for on-lending, investment in capital market and in real estate by corporate except development of integrated township. End uses of ECB for working capital, general corporate purpose and repayment of existing rupee loans are also not permitted.

(d) Does not arise.